

**SUMMARY OF AND RESPONSE TO PUBLIC COMMENTS**  
**PROPOSED AMENDMENT OF SECTION 2632.5(C)(1)(A), ORDERING OF MOTOR VEHICLE REPORTS (MVRs)**

SORTED BY COMMENTOR

Comment No./ Commentor		Summary of Comment	Response	Explanation
1.	Mercury Insurance Group  Letter dated March 7, 2005.	<p><u>Use of Third Party Data Vendors.</u> The proposed amendment should be amended further so that an insurer is not required to obtain an MVR if the insurer obtains from an insurance-support organization a report indicating that a new MVR would not contain new information.</p> <p>Insurance-support organizations provide, at a cost less than that charged for a new MVR, updates indicating whether new MVR activity has occurred. If such updates indicate no new MVR activity, there is no need for an insurer to obtain the complete MVR and needlessly increase the cost of underwriting.</p>	Accepted.	The regulation allows an insurer to verify whether a new MVR would contain only the information already found on the MVR the insurer most recently obtained.
2.	Pacific Association of Domestic Insurance Companies  Letter dated April 24, 2005.	<p><u>Use of Third Party Data Vendors.</u> The prescription to “obtain” must not be so narrowly applied as to require insurers to actually obtain expensive copies of MVRs from the DMV, when insurers can save substantial sums by using an insurance-support service organization, such as ChoicePoint. The use of third party files can amount to substantial savings for the companies.</p> <p>The proposed amendment should be changed to allow an insurer to verify driver status from the MVR, instead of obtaining an MVR, for every driver.</p>	Accepted.	See explanation in response to Mercury Insurance Group letter (comment no. 1).

3.	<p>Association of California Insurance Companies (ACIC)</p> <p>Written statement dated April 19, 2005 at pages 1-2; and oral statement dated April 19, 2005, at page 5, line 18 to page 6, line 6; and page 9, line 1 to page 10, line 9.</p>	<p><u>Exemption for Policyholders Already Classified as Good Drivers.</u> An insurer should not have to obtain an MVR no less frequently than every 36 months if the policy remains in effect because it is not necessary to achieve the Department's stated goal of ensuring that all Good Drivers receive a Good Driver Discount Policy and unnecessarily adds to insurance costs.</p> <p>That goal can be achieved with a more limited approach. Rather than checking the MVRs for all policyholders, the verification of MVR should be limited to those policyholders who have not already qualified for the Good Driver Discount.</p>	Accepted in part.	All policyholders' rates must be based on their current driving safety record, whether they previously qualified for the Good Driver discount or not.
4.	<p>ACIC (cont'd)</p> <p>Written statement at page 2; and oral statement at page 6, line 7 to page 7, line 3; and page 9, line 20 to page 10, line 9.</p>	<p><u>Use of Third Party Data Vendors.</u> Insurers should be able to use third party vendors that alert insurance companies to changes to a policyholder's motor vehicle record. Ordering MVRs only when new activity appears (as indicated by alerts provided by vendors) reduces the cost of insurance. Instead of mandating that MVRs should be "obtained" every 36 months, the amendment should be rewritten to require verification of a driver's safety record. This change would accommodate systems that help insurers monitor MVR activity without having to obtain a copy of the MVR.</p>	Accepted.	See explanation in response to Mercury Insurance Group letter (comment no. 1).
5.	<p>ACIC (cont'd)</p> <p>Written statement page 2 and oral statement page 7, lines 4 to 12.</p>	<p><u>Use of Actuarial Methods Instead of the Data in MVRs.</u> Insurers should be able to rely on actuarial methods to provide a reliable estimate of whether a person who has a clean driving record will continue</p>	This comment was not adopted.	Proposition 103 requires that the first criteria for determining auto insurance rates is the policyholder's driving safety record. Thus, policyholders'

		that record instead of being required to obtain MVRs on all drivers.		<p>rates should be based on their actual driving safety records, not on an assumption about their driving safety records.</p> <p>See also explanation in response to similar comment from GEICO (comment no. 8).</p>
6.	<p>ACIC (cont'd)</p> <p>Written statement at page 3 and oral statement at page 7, line 13 to page 8, line 2.</p>	<p><u>Use of DUI Information.</u> The amendment to the regulation which states no insurer shall rate or underwrite a policy based upon an MVR older than 36 months at the time the policy is issued or renewed conflicts with Insurance Code §1861.025(c), which provides that a person is ineligible for the Good Driver Discount if he or she has a driving under the influence (DUI) conviction within the last seven (now ten) years.</p> <p>The amendment should expressly recognize California Insurance Code §1861.025(c).</p>	ACIC's proposed language was not accepted.	There is no conflict between the adopted amendment and Insurance Code § 1861.025, which the regulation references. The new language merely requires insurers to rate and underwrite based on a current MVR, which is required by California Vehicle Code §1807 and §1808 to contain information about specified serious violations, including DUI convictions, for a period longer than 36 months.
7.	<p>ACIC (cont'd)</p> <p>Written statement at page 3; oral statement at page 8, lines 3 to 13.</p>	<p><u>Additional Discounts Based on Driving Records Longer than 36 Months.</u> The regulation should not prevent an insurer from giving discounts greater than the standard 20% Good Driver Discount to drivers who have clean driving records for more than 36 months.</p>	Accepted.	The regulation states that "nothing in this section shall be construed to preclude an insurer from granting a discount based on a driving record longer than 36 months as long as the insurer verifies driver status as set forth in this section."
8.	<p>GEICO</p> <p>Letter (with attachment) dated May 12, 2005 and oral statement on April 19, 2005 at page 11, line 8 to page 13, line 9 and page 15, lines 2 to 17.</p>	<p><u>Insurer Reliance on Own Data.</u> The requirement that MVRs be ordered every three years is an arbitrary time frame that doesn't bear any relationship to the risk of loss. It ignores all of the data allowing insurers to predict the driving safety record of its policyholders, especially longer-term policyholders who have no claims activity, self-reporting moving violation convictions,</p>	This comment was not adopted.	<p>See explanation in response to similar comment from ACIC (comment no. 5).</p> <p>As to its May 9, 2005 memorandum, GEICO presented information showing that after a policyholder has been with them for six years, violation activity declines and continues to</p>

		<p>suspensions or requests for an SR-22. Long term preferred policyholders do not exhibit the higher loss frequency that shorter-term policyholders are likely to have.</p> <p>The information gained by ordering MVRs on a set time schedule that is the same for every driver does not justify the expense involved in doing so</p> <p>GEICO submitted data in support of this argument.</p>		<p>decline over time.</p> <p>Proposition 103 requires that policyholders be rated in part on their driving safety record, which is defined by 10 CCR §2632.5(c)(1)(A) as the “public record of traffic violation convictions available from the California Department of Motor Vehicles, together with similar public records of traffic violation convictions that are available from other jurisdictions.”</p> <p>Therefore, in order to rate policyholders in accordance with the law, the Department believes that insurers must check MVRs.</p>
9.	<p>GEICO (cont’d)</p> <p>Oral statement at page 13, lines 10 to 14 and page 14, lines 3 to 25.</p>	<p><u>MVRs for “Active” Drivers Only.</u> The regulation should be revised to state that MVRs must be obtained for every “active” driver instead of every driver because in some instances drivers may no longer be in the household, have a suspended license or are older and no longer driving , even if they remain on the policy. The insurer would base this classification upon information provided to it by the policyholder.</p>	<p>The proposed regulation was not amended in response to this comment.</p>	<p>In order to properly rate each driver using the first Proposition 103 mandatory rating factor of a driving safety record, an insurer must verify the MVRs of all of the listed drivers.</p>